

International Association of Transportation Regulators (IATR) Conference

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Session 10: Taxicab Regulation in Seattle: A New Approach

TAXICAB REGULATION IN SEATTLE A NEW APPROACH

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A new approach to taxicab regulation in Seattle has dramatically improved taxicab service in just a few years. This approach consists of a new taxicab code which combines self-regulation by taxicab associations with stricter standards for drivers and vehicles plus additional emphasis on enforcement activity. Driver violation rates found during street enforcement activity have declined from approximately 50% in 1997 to 5% in 2000. Likewise, violations of vehicle standards found during inspections decreased by 80% between 1995 and 2000. Reports by the hospitality and tourism industries, agencies that contract with taxicab associations, and the riding public all agree that passenger dissatisfaction has been greatly reduced by the changes.

The state of the taxicab industry in Seattle was very poor in 1995. Entry and rates had been deregulated in 1979 then reregulated in the intervening period. During deregulation in Seattle, as in other western U.S. cities, there was a proliferation of independent taxicabs and a corresponding decline of the established taxicab companies. The independents were not dispatched so they worked taxicab zones¹ downtown. There was no accountability among independent taxicabs regarding vehicle condition, driver conduct, recovery of left items, or passenger complaint resolution.

In 1990, the Port of Seattle (POS) required that all independent taxicabs at the Seattle-Tacoma International Airport form a single taxicab association and enter into an exclusive contract with the POS to provide service at the terminal taxicab stands. The contract established stricter standards and improved oversight by POS ground access personnel. The new taxicab association, Seattle Tacoma International Taxi Association (STITA), currently has 166 affiliated taxicabs. In Seattle, one downtown hotel started its own taxicab inspection program because of many complaints received from its guests. The tourism industry was concerned about the impact of poor taxicab service on visitors. Surveys indicated general dissatisfaction with taxicab service. In 1995, the Mayor and City Council directed the taxicab regulators to find a new approach and fix what was wrong with the taxicab industry in Seattle.

A peer review was performed by three experienced taxicab regulators (New York, Las Vegas, San Diego) during November 1995 and their report was issued in March 1996.² The peer review suggested several regulatory strategies for correcting the problems in the Seattle taxicab industry. The City of Seattle eventually adopted the strategy that combined restructuring the taxicab industry and rigorous enforcement of new higher standards for taxicab associations, owners, and drivers. Another report, issued by the Taxicab Advisory Group (TAG) in April 1996, made many of the same recommendations received from the peer review.³ The TAG included government officials, members of the hospitality and tourism industries, representatives of the taxicab industry, and groups representing the riding public (e.g., senior citizens).

¹ Taxicab stands.

² Sandi Avants, Gorman Gilbert, and Barbara Lupro. "Peer Review of Seattle Taxicab Regulation" (March 20, 1996).

³ "Final Report of the Taxicab Advisory Group" (April 8, 1996).

Nearly all of the recommendations of the peer review and TAG were incorporated into a comprehensive rewrite of the taxicab code and rules. Ordinance No. 118341, adopted in October 1996, added a new Chapter 6.310 "Taxicabs and For-Hire Vehicles" to the Seattle Municipal Code and repealed the old taxicab code. The new taxicab code became effective January 1, 1997 except for the provisions relating to taxicab associations which were phased in on May 1, 1997. The 1996 ordinance was amended in March 2000 to add new requirements regarding an airport flat rate, minimum taxicab size, and taxicab insurance.⁴

A NEW APPROACH TO TAXICAB REGULATION

TAXICAB ASSOCIATIONS

The new taxicab code, adopted in 1996, requires significant self-regulation by the taxicab industry with oversight and enforcement by city taxicab regulators. The taxicab industry in Seattle, as in many cities, is fragmented into lease drivers, owner drivers, and fleet owners who are all independent contractors. The new taxicab code required all drivers and owners to affiliate with licensed taxicab associations having a minimum of 15 taxicabs in order to "build" accountability into the taxicab industry. Independent taxicabs with single owners formed three new taxicab associations. Taxicab associations are required to operate a business office and handle correspondence and records for affiliated taxicabs and drivers, receive service requests and dispatch taxicabs, investigate passenger complaints and satisfactorily resolve them, submit service information reports and vehicle collision reports, and perform general management responsibilities.

| Seattle Taxicab Associations (1997 v. 2000) | | | |
|---|--------------------------------------|--|--------------------------------------|
| <u>Taxicab Associations</u> <u>(1997)</u> | <u>Affiliated</u> <u>Taxicabs</u> | <u>Taxicab Associations</u> <u>(2000)</u> | <u>Affiliated</u> <u>Taxicabs</u> |
| Belltown Cab* | 20 | Emerald City Taxi | 38 |
| Emerald City Taxi* | 20 | Farwest Taxi | 114 |
| Farwest Taxi | 117 | Graytop Cab | 26 |
| Graytop Cab | 123 | North End Taxi | 22 |
| North End Taxi | 24 | Northwest Taxi | 25 |
| Orange Cab | 99 | Orange Cab | 125 |
| Redtop Taxi | 15 | Redtop Taxi | 15 |
| Royal Taxi* | 38 | Yellow Cab | 278 |
| STITA** | 13 | | |
| Yellow Cab | 176 | | |
| Total | 645 | Total | 643 |
| <u>Notes:</u> * Taxicab associations comprised of formerly independent taxicabs with single owners. ** Dual-licensed taxicabs. STITA eventually transferred the Seattle taxicab licenses and became King County-only. | | | |

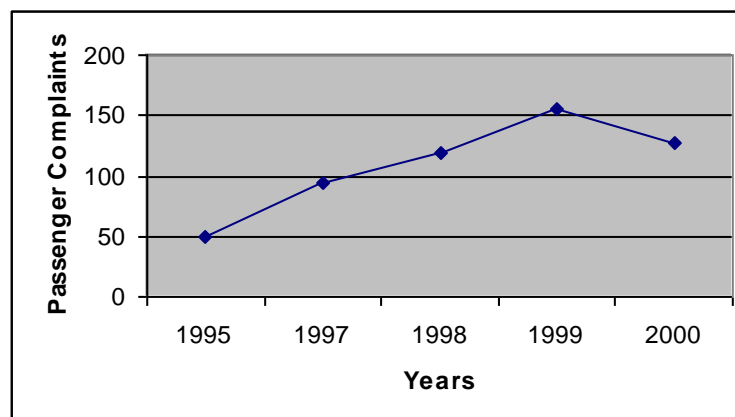
Penalty points are assessed against taxicab associations for all violations of the new taxicab code by affiliated drivers and owners. Penalty points are also assessed for violations of taxicab association requirements contained in the new taxicab code. Automatic monetary penalties are assessed against taxicab associations if accumulated penalty points exceed an average of five per affiliated taxicab during any license year. For instance, a taxicab association with 100 affiliated taxicabs would receive an automatic \$10,000 monetary penalty when the penalty point total exceeded 500 during a license year. Taxicab regulators conduct unannounced periodic audits of taxicab association business offices to verify compliance with taxicab association requirements.

⁴ Ordinance No. 119872 passed by the City Council on March 6, 2000. Accessible from Consumer Affairs web site - http://www.cityofseattle.net/finance/consumer/laws_regulations.htm

| Violations Cited on the Street Monetary Penalties and Penaty Points | | | |
|--|----------------------|-------------------|--------------------|
| Violation Class | Offense | | |
| | 1 st | 2 nd | 3rd |
| A | \$30 2 points | \$60 3 points | \$100 4 points |
| B | \$60 4 points | \$150 7 points | \$250 10 points |
| C | \$1,000 20 points | | |

City regulators meet on a bimonthly schedule with taxicab association representatives to maintain a dialogue on a wide range of issues such as taxicab rates, taxicab zones, driver safety, driver training, passenger complaint resolution, taxicab insurance, and many other topics. In addition, a few taxicab association representatives are members of the Taxicab Advisory Group (TAG) and participate in discussions about town cars, taxicab zones, regional taxicab regulation, airport zone fares, and proposed changes to the taxicab code or rules.

Taxicab associations are responsible for resolving passenger complaints like any other businesses. Passenger complaint logs must be maintained and made available for audit by taxicab regulators. Passenger complaint summaries are included on the quarterly service information reports submitted by the taxicab associations.



| Taxicab Passenger Complaints (1995-2000) | | |
|--|----------------|--------------------------------------|
| <u>Year</u> | <u>Hotline</u> | <u>Hotline + Taxicab Association</u> |
| 1995 | 50 | N.A. |
| 1997 | 95 | N.A. |
| 1998 | 119 | 706 (partial year) |
| 1999 | 156 | 1,763 |
| 2000 | 128 | 1,195 |

TAXICAB DRIVERS

The new taxicab code was intended to be comprehensive but especially targeted areas of repeated driver noncompliance and common passenger complaints. The reports of the peer review and TAG helped to identify many of these items such as: poor English communication skills, driver lost, driver rude, and driving recklessly. New driver qualifications and standards of conduct included an oral English proficiency test, expanded classroom training course to emphasize street geography, more rigorous written exam with 80% of the questions addressing local geography, a week of new driver training provided by the taxicab association including three 8-hour shift "ride alongs" with trainers, driver uniforms specified by taxicab associations, written safety checklists that must be completed before the start of each shift, and mandatory written receipts for passengers. Driver uniforms, safety checklists, and receipts were largely aimed at improving the professionalism of the drivers.

There are approximately 1,600 licensed taxicab drivers in Seattle. This includes full-time, part-time, and seasonal drivers. The turnover rate is about 22% annually. The average experience of taxicab drivers is 2.3 years. It is estimated that 80% of the driver were not born in the U.S. and have English as a second language. Most of these are from east Africa or India.

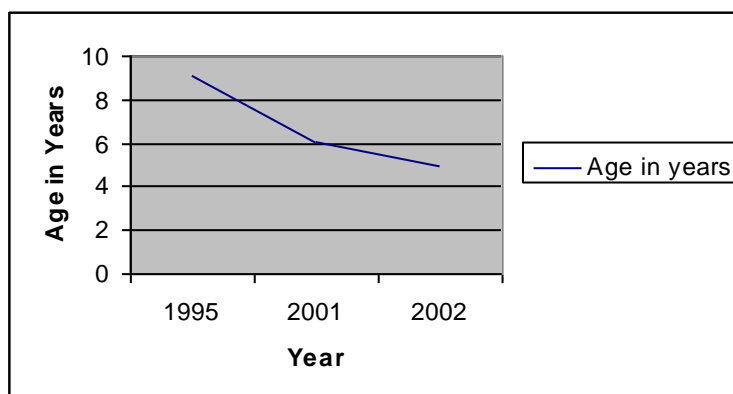
| Taxicab Driver Profile | |
|--|---------------|
| Median Age | 39 years |
| Age Range | 21- 72 years |
| | 21 – 29 (15%) |
| | 30 – 39 (39%) |
| | 40 – 49 (28%) |
| | 50 – 59 (13%) |
| | 60 – 69 (4%) |
| | 70+ (1%) |
| Place of Birth | 80% non-U.S. |
| | 20% U.S. |
| Average Experience as Taxicab Driver: | 2.3 years |
| <u>Notes:</u> (1) Based on 20% sample of 2,095 active Seattle and King County drivers. (2) Place of Birth – estimate. (3) Average experience as taxicab driver based on 22.1% turnover rate. | |

VEHICLES USED AS TAXICABS

General vehicle condition was extremely poor in 1995 - the year prior to adoption of the new taxicab code - as evidenced by the high rate of noncompliance with vehicle standards. During 1995, 71% of all taxicabs were cited for minor violations, 54% of all taxicabs were issued summary suspensions for safety violations, and the average taxicab was cited for 2.8 violations.⁵ The typical vehicle used as a taxicab was a high mileage 9-year old police cruiser purchased for a few thousand dollars at public auction.

Under the new taxicab code, there were several provisions designed to improve passenger safety and comfort. A maximum age limit of 8 model years was phased in over a three year period. This age limit will change to 7 years in 2002. As a result, the average age is 6 years currently and it is expected to drop to 5 years next year.

⁵ Consumer Affairs. "Taxicab Inspection 1994-1995: Report Card" (September 17, 1996).



Average Age of Vehicles Used as Taxicabs 1995-2002 (Projected)

Newer vehicles eliminated a large number of safety violations. For example, the number of safety violations decreased from 1995 to 1998 as follows: headlights - 77 to 18, windshields - 49 to 8, emergency brakes - 70 to 26, minimum tire tread - 44 to 5, gear selector indicator - 35 to 13, seat belts - 58 to 13, brake pedal rubber pads - 47 to 18, and bumpers - 54 to 0. Summary suspensions of taxicab licenses were reduced by 70% from 1995 to 2000.

Other vehicle requirements contained in the new taxicab code include minimum size requirements. All sedans used as taxicabs must be "large" as defined by the U.S. Department of Energy's *Fuel Economy Guide*. Seattle borrowed age and size limits from taxicab regulators in other cities. The frequency of taxicab safety inspections was made variable depending on the violation history of a taxicab - from one to three times annually. Vehicle condition is also spot checked during routine street enforcement activity. New stringent insurance requirements were established. Insurance policies must be filed with the city, binders instead of certificates must be submitted as proof of insurance, and no limitations on coverage are permitted (e.g., named driver endorsement, absolute radius restriction).

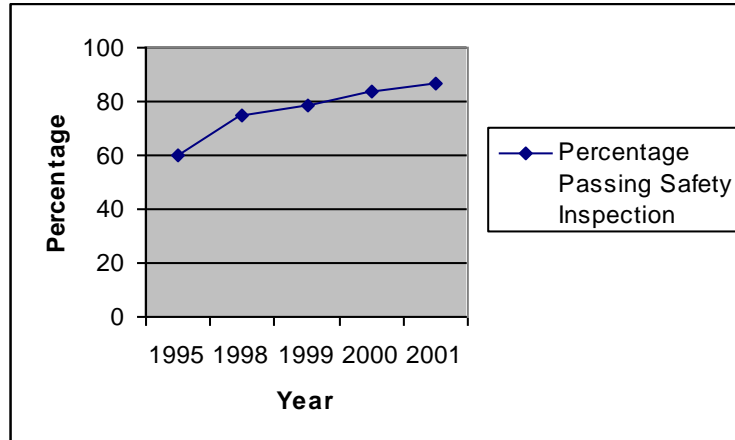
Taxicab Vehicle Profile (2000)

| | |
|-----------------------------|--|
| Average age of vehicle | 6.1 years |
| Average life of vehicle | 2.8 years |
| Average operating miles | 72,309 miles per year |
| Average odometer reading | 252,253 miles |
| Average length of paid trip | 5.0 miles |
| Distribution of make/model | Ford Crown Victoria (50.2%) Chevrolet Caprice (48.3%) |
| Average collisions per year | 0.9 collisions per vehicle Taxicab at fault (33%) Accident with injuries (19%) |

Notes: (1) Based upon randomized sample of 29% of active Seattle and King County taxicabs (245 out of 842). (2) Average life of vehicle based upon taxicab license records. (3) Operating miles includes paid trip miles, deadheading, and personal use. (4) Only reportable collisions are counted - Washington State Patrol requires reports for collisions with injuries or more than \$700 property damage.

ENFORCEMENT

The key to implementing the new taxicab code was a combination of self-regulation by a system of licensed taxicab associations and increased enforcement activity by city taxicab regulators. Enforcement activity consists of scheduled taxicab safety inspections and taximeter tests conducted at the test station as well as aggressive street enforcement.



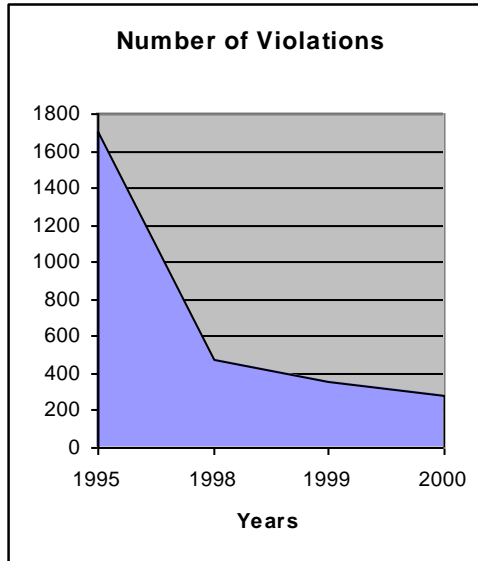
Percentage of Taxicabs Passing Safety Inspections

| Percentage of Taxicabs Passing Safety Inspections | |
|---|---------------------------|
| <u>Year</u> | <u>Percentage Passing</u> |
| 1995 | 59.9% |
| 1998 | 74.6% |
| 1999 | 78.3% |
| 2000 | 83.5% |
| 2001 (Jan-Jun) | 86.7% |

Notes: (1) In 1995, 71% of all Seattle taxicabs were issued an Inspection Notice for minor violations of vehicle standards and 54% were issued a Summary Suspension for safety violations. (2) 2001 is a partial year.

The number of violations of vehicle standards has declined dramatically after implementation of the new taxicab code. Newer vehicles plus reinspections fees and penalty points for violations are probably the biggest reasons. The taxicab association requirements became effective in the middle of the first year so 1998 was the first complete year for purposes of analysis.

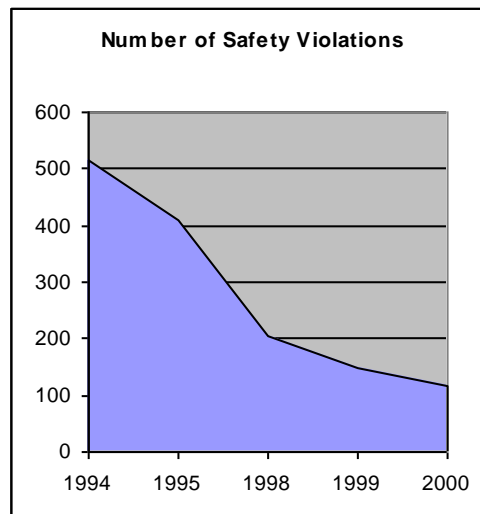
| Violations of Vehicle Standards (1995-2000) | | |
|---|-------------------|-----------------------|
| <u>Year</u> | <u>Violations</u> | <u>Percent Change</u> |
| 1995 | 1,703 | N.A. |
| 1998 | 477 | - 72% |
| 1999 | 352 | - 26% |
| 2000 | 281 | - 20% |



Number of Violations of Vehicle Standards (1995-2000)

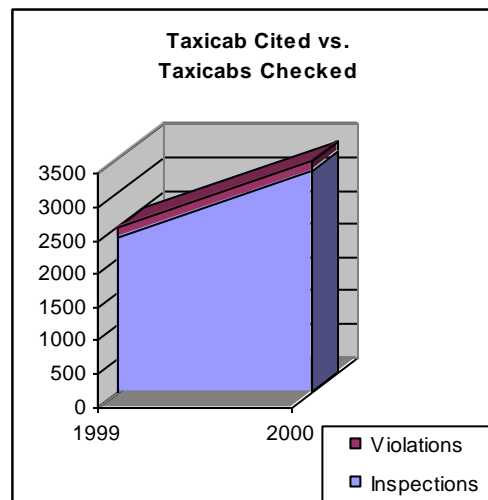
Similarly, the number of safety violations declined after the new taxicab code was implemented. When safety violations are found, the taxicab license is summarily suspended until the violations are corrected.

| Violations of Vehicle Safety Standards (1995-2000) | | |
|--|-------------------|---------------|
| <u>Year</u> | <u>Violations</u> | <u>Change</u> |
| 1995 | 410 | - 21% |
| 1998 | 203 | - 50% |
| 1999 | 150 | - 26% |
| 2000 | 118 | - 21% |



Generally, taxicab inspectors check taxicabs on the street to verify driver compliance with standards regulating conduct, operations, and driver-passenger relations. In 1999, an additional taxicab inspector was hired for weekend and evening shifts. Drivers and owners are issued monetary penalties for all violations of the taxicab code. No warnings are issued.

| Taxicabs Cited for Driver Violations During Street Enforcement | | | |
|--|-----------------------------|---------------------------|---------------------------|
| <u>Year</u> | <u>Taxicabs Checked</u> | <u>Taxicabs Cited</u> | <u>Percent Change</u> |
| 1999 | 2,310 | 161 (7.0%) | N.A. |
| 2000 | 3,308 | 170 (5.1%) | - 27% |



Taxicabs Cited for Driver Violations During Street Enforcement (1999-2000)

Unannounced audits of taxicab association business offices are conducted to verify compliance with taxicab association requirements. For example, audits include random checks of trip sheets and vehicle documents (e.g., insurance policies, vehicle registration, mechanic's inspection).

There is a one-step appeal process for monetary penalties at administrative hearings conducted by the Director's designee. This eliminates endless appeals and the associated workload for taxicab regulators. Taxicab drivers and owners may appeal any decisions at these administrative hearings on license actions (e.g., denial, suspension, revocation) to the hearing examiner.

CONCLUSIONS

The new approach to taxicab regulation implemented in Seattle has proved to be very effective in just a few years. Some improvements were apparent almost immediately.

Few new resources were required - just one additional taxicab regulator was hired to increase enforcement activity on the street. This position was paid for using new fees (e.g., taxicab association license fee, reinspections

fees, inspection rescheduling fee) and monetary penalties. However, there was a considerable increase in administrative workload to implement the system of monetary penalties and penalty points for taxicab code violations and other recordkeeping.

There was initial resistance from the taxicab owners to any new requirements because of the costs. This was particularly true with age limits on vehicles used as taxicabs. Taxicab associations were concerned about whether the exercise of control would be seen as changing their relationship with drivers from independent contractor to employee. A few changes, like driver safety technology and receipt-issuing taximeters, were deferred to a future rulemaking to spread out the additional costs of compliance. Some drivers continue to complain about driver uniforms, safety checklists, and mandatory receipts. However, the improvements, measured in terms of reduced noncompliance, have been dramatic. The new approach has proved very successful.

Finally, Seattle's new approach to taxicab regulation isn't really new at all. It is a regulatory program built with requirements that have worked well in other cities. For instance, the system of monetary penalties and penalty points was borrowed from Los Angeles and the taxicab association requirement is similar to the POS action in creating STITA a decade ago. Vehicle age limits and size limits are pretty common today in many cities. Seattle got off to a good start with the Peer Review which provided many insights regarding what needed to be fixed and offered several regulatory strategies along with specific recommendations. Probably the two keys to the success of the new approach to taxicab regulation in Seattle were (1) restructuring of the industry to a system of taxicab associations which are held strictly accountable for compliance with the taxicab code by their affiliated drivers and owners, and (2) the emphasis on enforcement activity so that the comprehensive system of monetary penalties helps to deter noncompliance.